

GAO Cites Loophole that "Stop the Drop House Act" Would Close

WASHINGTON - The results of a long-awaited, two and a half year Government Accountability Office (GAO) investigation requested by U.S. Rep. Harry Mitchell on drop houses and alien smuggling were released today at a Congressional hearing before the House Homeland Security Committee's Subcommittee on Border, Maritime and Global Counterterrorism. Mitchell, who is not a member of the committee, was invited to attend and participate.

"Arizona continues to pay a heavy price for the federal government's failure to secure the border and fix our broken immigration system," said Mitchell. "We have literally hundreds of drop houses here in the Valley, which operate as way stations for criminal smuggling operations often run by dangerous Mexican cartels. They're magnets for violent crime, and they threaten the safety of our community. That's why I asked the GAO to investigate ICE's efforts to shut down these drop houses and stop the illegal smuggling."

Arizona Attorney General Terry Goddard testified at the hearing, which also examined anti-smuggling techniques used by the Arizona Attorney General's task force.

In February 2008, Mitchell asked the GAO to examine federal efforts to identify and remove criminal aliens and combat drop houses. [See: [Mitchell Release](#) , Feb. 20, 2008] The Phoenix metropolitan area is believed to have as many as 1,000 drop houses, many of which are home to human smuggling operations. [Source: Associated Press, Jan. 16, 2008; [USA Today](#) , Jan. 15, 2008] Crime associated with the drop houses is significant. Phoenix witnesses approximately 300 kidnappings a year. [Source: http://www.justice.gov/usao/az/press_releases/2010/Harris.pdf]

The GAO's report contained several findings and recommendations to improve ICE's efforts to combat alien smuggling including:

- Close a federal loophole to allow authorities to use civil forfeiture to seize homes that are used as drop houses. Currently, officials can seize other assets used by smugglers such as vehicles or even planes. However, civil forfeiture can't be used to seize the actual drop houses, themselves.

GAO Testimony page 5 states:

One opportunity to leverage additional seizure techniques involves civil asset forfeiture authority, which allows federal authorities to seize property used to facilitate a crime without first having to convict the property owner of a crime. OI investigators indicated that lack of such authority makes it difficult to seize real estate involved in alien smuggling activity. [Source: [G AO Testimony](#) before the Subcommittee on Border, Maritime, and Global Counterterrorism, July 22, 2010]

GAO Report page 29 states:

During our site visits along the southwest border, OI investigators indicated that lack of such authority makes it difficult to seize real estate involved in alien smuggling activity. For example, in one OI office, officials pointed to a graphic depiction of over 300 stash houses the investigators were aware of over the past several years in one metropolitan area. The officials stated that they were able to seize only one of those houses and that civil asset forfeiture authority would have made it easier to seize far more. [Source: [GAO Report](#)]

The GAO's recommendation on civil forfeiture parallels bipartisan legislation that was introduced by Mitchell and Rep. Brian Bilbray (R-Cal.) earlier this week, the Stop the Drop Houses Act, HR 5769. The legislation would close the federal loophole and allow authorities to use civil forfeiture to seize homes used as drop houses.

[See:

- KPNX, Channel 12: [Stop the Drop Houses Act: Mitchell Tours Drop House, Kidnapping Site](#) (additional link: <http://www.youtube.com/watch?v=MvDXZAruEjU&feature=channel>)

- KTVK, Channel 3: [Border Report: Mitchell Introduces Bi-Partisan Bill to Combat Drop House Epidemic](#)

- *Phoenix Business Journal*: [Mitchell, Bilbray target drop houses used by immigrant smugglers](#)

- Mitchell Release: [Mitchell Introduces Bill to Help Stop Valley Drop Houses, Drug Cartel Epidemic](#)

The GAO's testimony from today's hearing can be found [here](#) .

The complete GAO report can be found [here](#) .

Below is the text of Rep. Mitchell's statement from today's hearing

Thank you, Mr. Chairman, and thank you Ranking Member Miller, and all the members of this Subcommittee for permitting me to join you here today.

I also want to thank Chairman Thompson, without whose help, today's GAO Report and today's hearing about it would not have been possible.

I want to extend a warm welcome to Arizona's Attorney General, who has taken time from his very busy schedule to join us here today. Attorney General Goddard has not just been a leader in the fight against Mexican drug cartels, he's been an innovator, and we will hear more about his important efforts shortly.

Finally, I want to thank the extremely hard-working team at GAO, whose dedication and attention to detail have resulted in key findings and recommendations that we will be examining today.

Arizona continues to pay a heavy price for the federal government's failure to secure the border and fix our broken immigration system. Arizona has been especially hard hit. More than half the illegal crossings across the U.S.-Mexico border happen in our state.

But this isn't just a crisis for communities along the border. This is a crisis in the interior - in places like Phoenix, where smugglers and Mexican cartels have set up vast networks of drop houses, which operate as way stations for criminal smuggling enterprises.

It has been estimated that there may be as many as 1,000 such drop houses in the Phoenix metropolitan area alone.

The crime associated with these drop houses is brutal and alarming. Phoenix now experiences upwards of 300 kidnappings a year.

I had the opportunity to visit a drop house just this past weekend, and I saw where smugglers had kept victims behind barred doors and windows while they extorted money for their release. I also visited another home in the same neighborhood, the site of a drug-cartel kidnapping, where smugglers had begun digging a grave for one of their captives, right there inside the house.

These violent thugs put innocent, law-abiding citizens at risk as well, when fights between rival cartels over smuggled cargo devolve into gunfire.

And these drop houses are everywhere. Living in an upscale neighborhood doesn't immunize you from the threat.

That's why, back in February of 2008, I asked the GAO to investigate ICE's efforts to shut down

these drop houses and stop the illegal smuggling. It has taken two and a half years for the GAO to complete this investigation, but I am pleased that we finally have the results, which are instructive, and I hope that both ICE and members of this Committee will take note.

Two findings, I think, are particularly important. First, the GAO notes that there continues to be a federal loophole that precludes the use of civil forfeiture to seize homes that are used as drop houses. According to GAO, its staff visited one ICE investigative office which contained a huge map showing over 300 drop houses in the surrounding area. ICE officials complained, however, that they had only been able to seize one of these houses, and that civil asset forfeiture authority would have made it easier to seize far more of them.

I firmly believe we need to close this loophole, and that is why earlier this week Rep. Brian Bilbray and I introduced a bipartisan bill- the Stop the Drop Houses Act, H.R. 5769 - to do so.

Second, the GAO recommends that ICE look into the investigative techniques used by an Arizona Attorney General task force which has seized millions of dollars and disrupted alien smuggling operations by following cash transactions flowing through money transmitters like Western Union. The task force has established methods for identifying suspicious, smuggling-related wire transfers and disrupting them.

Moreover, under the terms of a major settlement Attorney General Goddard reached earlier this year with Western Union, Western Union has agreed to provide Arizona and other border states with unprecedented access to data on wire transfers along the border, including locations in Mexico.

Since the settlement, the other money wire companies have voluntarily agreed to provide Attorney General Goddard's office with their data as well.

This data, combined with the methods developed by Attorney General Goddard's task force, could be a huge help to federal immigration enforcement, and I agree with the GAO that the ICE ought to examine all of this, and its potential for use at the federal level.

There are, of course, other important findings in this report, but I will stop here.

I look forward to hearing more today from the GAO, Attorney General Goddard, ICE and the rest of today's witnesses.

At this time I yield back.

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